



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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CHIEF DEPUTY

February 6, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*
Auditor-Controller

SUBJECT: **SOLEDAD ENRICHMENT ACTION, INC. CONTRACT – A COMMUNITY
AND SENIOR SERVICES WORKFORCE INVESTMENT ACT
PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Soledad Enrichment Action, Inc. (Soledad or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

Background

CSS contracts with Soledad, a private non-profit organization, to provide and operate the WIA Foster Youth Program. The WIA Foster Youth Program is a comprehensive training and employment program for in-school and out-of-school foster youth ages 14 to 21 years. The Program is also a comprehensive training and employment program for pregnant or parenting foster youth and foster youth in need of work experience. Soledad's office is located in the First District.

Soledad is compensated on a cost reimbursement basis. Soledad's contract is for \$67,500 for Fiscal Year 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether Soledad complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services

"To Enrich Lives Through Effective and Caring Service"

outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

Results of Review

Overall, Soledad provided the program services to eligible participants and the Agency maintained sufficient internal controls over its business operations. However, Soledad did not always comply with the County contract. For example, Soledad:

- Did not accurately report the participants' program activities on the Job Training Automation system for any of the ten participants sampled.
- Billed CSS payroll expenditures based on budgeted amount and not actual expenditures.
- Did not complete the Individual Service Strategy plans for any of the ten program participants sampled as required by WIA guidelines.

In addition, Soledad did not implement five (39%) of the 13 recommendations contained in the prior year's monitoring report.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Soledad and CSS on January 9, 2008. In their attached response, Soledad concurred with our findings and recommendations.

We thank Soledad for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Senior Ines Telles, Assistant Executive Director, Soledad Enrichment Action, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
SOLEDAD ENRICHMENT ACTION, INC.
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Soledad Enrichment Action, Inc. (Soledad or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for ten program participants that received services between March and October 2007 for documentation to confirm their eligibility for WIA services.

Results

All ten participants met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for the ten participants that received services from March through October 2007. We also interviewed eight program participants/guardians.

Results

The eight participants/guardians interviewed stated that the services the participants received met their expectations. However, Soledad did not complete the Individual Service Strategy (ISS) plans for any of the ten participants sampled as required by WIA guidelines. The ISS plan is a comprehensive on-going plan jointly developed by the

participant and the case manager that identifies the participant's background, skills, goals, barriers to employment and service plans needed to achieve the goals.

In addition, Soledad did not accurately update the participants' program activities on the Job Training Automation (JTA) system for any of the ten participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted in the prior two years' monitoring reviews.

Recommendations

Soledad management:

1. **Ensure that staff complete the Individual Service Strategy plans.**
2. **Ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's September 2007 bank reconciliation.

Results

Soledad maintained adequate internal controls to ensure that cash receipts and revenue were properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support eight non-payroll expenditure transactions billed by the Agency for July and August 2007, totaling \$489.

Results

Generally, Soledad's expenditures were allowable and accurately billed as required. However, Soledad did not submit monthly invoices within ten calendar days after month end as required by the County contract. Specifically, Soledad submitted the July and August 2007 invoices 14 to 17 days late. This finding was also noted in the prior three years' monitoring reports.

Recommendation

3. **Soledad management ensure that monthly invoices are submitted to CSS within the timeframe established in the County contract.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Soledad maintained sufficient internal controls over its business operations. In addition, the Agency complied with other program and administrative requirements.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

The objective of this section is to determine whether Soledad's fixed assets and equipment purchased with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as Soledad did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for four employees totaling \$1,132 for August 2007 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for four employees assigned to the WIA program.

Results

Soledad inappropriately billed CSS for payroll expenditures based on budgeted amounts for one (25%) of the four employees sampled instead of allocating the employee's payroll expenditures based on actual hours worked. Unsupported payroll expenditures for August 2007 totaled \$179. A similar finding was also noted in the prior two years' monitoring reports.

Recommendations

Soledad management:

- 4. Repay CSS \$179.**
- 5. Bill CSS based on actual hours worked not budgeted amounts.**
- 6. Adjust payroll expenditures for FY 2007-08 to actual expenditures and repay CSS for any overpayments received.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July and August 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Soledad's Cost Allocation Plan was prepared in compliance with the County contract. As previously indicated, Soledad inappropriately billed CSS payroll expenditures based on budgeted amounts for one administrative employee not direct charges as required by the Agency's Cost Allocation Plan.

Recommendation

Refer to Recommendations 5 and 6.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2006-07 final close-out invoice reconciled to the Agency's financial accounting records.

Verification

We traced the Agency's FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. We also reviewed a sample of expenditures incurred in May 2007.

Results

Soledad's final close-out invoice reconciled to the Agency's financial records.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on August 20, 2007

Results

The prior monitoring report contained 13 recommendations. Soledad implemented eight recommendations. As previously indicated, the findings related to Recommendations 2, 3, 5 and 6 contained in this report were also noted during the prior year's monitoring review. The remaining recommendation required the Agency to implement the outstanding recommendations from the FY 2005-06 monitoring report. Soledad management indicated that the Agency plans to implement the outstanding recommendations by June 30, 2008.

Recommendation

- 7. Soledad management immediately implement the outstanding recommendations.**



January 18, 2008

J. Tyler McCauley
Auditor-Controller:

Re: Plan of Action for Findings and Recommendations for the WIA Foster Youth
Special Needs #20228 contract for Fiscal Year 2007-2008.

BILLED SERVICES/CLIENT VERIFICATION

Results

The eight participants/guardians interviewed stated that the services the participants received met their expectations. However, Soledad did not complete the Individual Service Strategy (ISS) plans for all ten (100%) participants sampled as required by WIA guidelines. The ISS plan is a comprehensive on-going plan jointly developed by the participant and the case manager that identifies the participant's background, skills, goals, barriers to employment and service plans needed to achieve the goals.

In addition, Soledad did not accurately update the participant's program activities on the Job Training Automation (JTA) system for all ten (100%) participant's sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted in the prior two year's monitoring reviews.

Recommendations

Soledad management:

1. Ensure that staff complete the Individual Service Strategy plans.
2. Ensure that staff accurately update the JTA system to reflect the participants' program activities.

Plan of Action:

1. *Soledad completed the ISS plans for all ten participants in question. We will make the completed ISS plans available for review during next year's monitoring review. In the meantime, Soledad management will ensure that all ISS plans are completed in accordance with WIA guidelines.*
2. *Soledad will continue to update the JTA system to reflect the participant's program activities.*

EXPENDITURES/PROCUREMENT

Results

Generally, Soledad's expenditures were allowable and accurately billed as required. However, Soledad did not submit monthly invoices within ten calendar days after month end as required by the County contract. Specifically, Soledad submitted the July and August 2007 invoices 14 to 17 days late. This finding was also noted in the prior three year's monitoring reports.

Recommendations

3. **Soledad Management ensure that monthly invoices are submitted to CSS within the timeframe established in the County Contract.**

Plan of Action:

3. Soledad will submit monthly invoices to CSS with the timeframe established in the County Contract.

PAYROLL AND PERSONNEL

Results

Soledad billed CSS payroll expenses based on budgeted amounts and not actual expenditures for one (25%) of the four administrative shared employees sampled. Unsupported payroll expenditures for August 2007 \$179. This finding was also noted on prior year's monitoring report.

Recommendations

Soledad management:

4. Repay CSS \$179.
5. Bill CSS based on Actual hours and not budgeted amounts.
6. Adjust the FY 2007-2008 payroll expenses to actual expenditures and repay DCSS for any overpayments received.

Plan of Action:

4. Soledad will repay CSS \$179.
5. *Soledad will request for reimbursement based on documented direct charges and not budgeted amounts.*
6. *Soledad will adjust the FY 07-08 payroll expenses to actual expenditures.*

CLOSE-OUT REVIEW

Recommendation:

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP

Results

The prior monitoring report contained 13 recommendations. Soledad implemented six recommendations. As previously indicated, the findings related to recommendations 2, 3, 5 and 6 contained in this report were also noted during the prior year's monitoring review. The remaining three recommendations required the Agency to repay DCSS \$2,716 and implement the outstanding recommendations from FY 2005-2006 monitoring review. Soledad Management indicated that the agency plans to implement the outstanding recommendations by June 30, 2008.

Recommendation:

7. Soledad management immediately implement the outstanding recommendations.

Plan of Action:

7. Soledad will implement the outstanding recommendations.

Thank you so much for your time and effort. If you have any questions, please feel free to contact me at 213-480-4200.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cesar Calderon', written over a horizontal line.

Cesar Calderon
Executive Director